

DOCUMENT RESUME

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[Procedures for Determining Welfare Recipients' Eligibility and Payment in the District of Columbia]. GGD-77-51; B-118638. April 20, 1977. 6 pp.

Report to Walter E. Washington, Mayor, District of Columbia; by Victor L. Lowe, Director, General Government Div.

Issue Area: Income Security Programs: Eligibility Determination (1301).

Contact: General Government Div.

Budget Function: Revenue Sharing and General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852).

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on District of Columbia; Senate Committee on Governmental Affairs.

The procedures used to determine eligibility and payment of welfare recipients by the District of Columbia Department of Human Resources were reviewed in an effort to determine their effectiveness in identifying errors and reducing welfare costs. The review concentrated on the Aid to Families with Dependent Children (AFDC) program. This program had an average monthly caseload of 31,400 during 1976, with total annual payments of \$94 million. Errors in the District's program caseload have persisted and have become progressively worse. The ineligible error rate rose from 5% in 1970 to 13% in 1975. During this same period, the overpayment error rate increased from 17% to 25% and the underpayment error rate decreased from 11% to 6%. The Department of Human Resources has not met Department of Health, Education, and Welfare requirements that each AFDC case be recertified for eligibility and correctness of payment every 6 months. Staffing limitations have resulted in only about 20% of the cases being recertified annually. It is therefore very important that the caseworkers review only those cases that are most likely to be in error. Three alternative systems for identifying potential error cases for review are: a high overpayment system which is designed to identify cases that are overpaid by \$100 a month or more; an overpayment system that would identify cases that are overpaid regardless of the amount; and an ineligible system designed to identify cases that are ineligible. The District of Columbia is developing a plan for implementing the high overpayment system on May 1, 1977. (SC)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

02120

GENERAL GOVERNMENT
DIVISION

APR 20 1977

B-118638

The Honorable Walter E. Washington
Mayor of the District of Columbia
Washington, D.C. 20004

Dear Mayor Washington:

The District, as other localities, has been faced with increasing welfare caseloads and erroneous payments to welfare recipients. On many occasions the Congress has expressed considerable concern over escalating welfare costs and the number of ineligible people on the welfare rolls.

To help reduce errors, the Department of Human Resources (DHR) implemented new procedures for determining and subsequently reviewing welfare recipients' eligibility and payment. Also, DHR, in August 1975, established a priority system for identifying and ranking cases for review according to their error potential.

We reviewed DHR's procedures including the priority system, to determine their effectiveness in identifying error cases and reducing welfare costs. We also wanted to determine whether the procedures could be improved. We selected the Aid to Families with Dependent Children (AFDC) program for review. AFDC has the largest caseload and welfare payments of the District's welfare aid programs. DHR assigned a staff member to work jointly with us.

We developed three alternate systems that could improve existing procedures and could help DHR make major improvements in the administration of its AFDC program. The systems identify cases that have a high error probability. One system is designed to identify cases that are overpaid by \$100 or more a month, another identifies overpayment cases regardless of amount, and the other identifies cases that are ineligible. Each of the systems ranks cases for review according to their error potential.

Generally, the use of any of the systems could potentially result in substantial savings in welfare costs. For example, by using the \$100, or more, overpaid system, we estimate that for the

year ended June 1976 welfare costs could have been reduced by about \$2.4 million more than the cost reductions using DHR's present procedures. At the time of our study, DHR staff reviewed only 20 percent of the cases on the rolls for certification of their continued eligibility and payment. Our estimated cost reduction assumes the same amount of case processing.

The alternate systems can be implemented with hardly any operational changes or additional costs to DHR.

The District by taking the lead in implementing any of these systems and demonstrating their effectiveness in reducing welfare costs, could pave the way for their adoption and use by other localities throughout the country.

DHR plans to implement by May 1, 1977, the system that identifies potential error cases, particularly those overpaid by \$100 or more a month. This system has the best potential for substantially reducing welfare costs. DHR will evaluate the system and make changes, if necessary, after it has been in operation for six months.

Welfare caseload and errors

The District's public assistance program consists of the AFDC and general public assistance programs. The average monthly caseload for AFDC and general public assistance totaled 38,400 and annual payments (District and Federal) totaled about \$108 million in fiscal year 1976. During this period, AFDC alone had an average monthly caseload of 31,400 and total annual payments of \$94 million. In a program of this nature and magnitude, it is inevitable that errors will occur that result in recipients being ineligible, overpaid, or underpaid. Errors in the District's AFDC caseload have persisted for years and have become progressively worse. According to DHR the ineligible error rate more than doubled from 5 percent in 1970 to 13 percent in 1975. During this same period, the overpayment error rate increased from 17 percent to 25 percent; the underpayment error rate decreased from 11 percent to 6 percent.

HEW requirements and DHR's compliance

The Department of Health, Education, and Welfare (HEW) regulations require that each AFDC case be recertified for eligibility and correctness of payment every 6 months. DHR has not met these requirements. In fiscal year 1975, DHR had assigned about 250 caseworkers to handle the public assistance caseload including AFDC. According to DHR, caseworkers recertified only about 20 percent of the AFDC cases. Sufficient staff has not been available to permit reviewing all cases as required by HEW.

Under these circumstances, we believe that it is very important that caseworkers review only those cases that are most likely to be in error. The systems we developed will identify such cases and help DHR to make better use of its caseworkers. Also, the information generated by the systems should help improve procedures for screening new welfare applications and thus minimize the number of ineligible being added to the rolls.

Alternate GAO/DHR system improvements for identifying error cases for review

The three alternate systems for identifying potential error cases for review are as follows.

- high overpayment system--This system is designed to identify cases that are overpaid by \$100 a month or more.
- overpayment system--This system is designed to identify cases that are overpaid regardless of the amount.
- ineligible system--This system is designed to identify cases that are ineligible.

The three systems were developed using a statistical technique called "discriminant analysis." This technique employs computerized mathematical formulas. Numerical weights are assigned to case characteristics such as ages of children and income of recipients that are fed into the computer. The relative importance of each case characteristic determines the numerical weight assigned. The sum of the various weights for a case represents the total score. The higher the score, the greater the probability the case would be in error. Cases for review would be selected in descending order.

To develop and test the proposed GAO/DHR systems we used data from about 2,500 cases audited by DHR's Quality Control Group. The Quality Control Group is required to use random sampling in selecting cases for audit. Therefore, the results of the audit should be reliable and representative of the entire AFDC caseload.

Comparison of the alternate GAO/DHR systems with DHR's priority system

To evaluate the alternate systems, we compared them with DHR's priority system. The priority system ranks cases in order of error potential from 1 to 5. Number one is the highest priority. Priority ranking is not based on statistical formulas but is assigned to cases on the basis of experience with case characteristics that historically have caused errors. The statistical technique we used

to identify and rank cases produces better dollar results per case reviewed than the priority system; generally, the percentage of ineligible and overpaid cases identified were about the same.

The following table compares estimated results that could have been achieved applying the GAO/DHR systems and the priority system to the July-December 1975 caseload. We assumed that 20 percent of the caseload would be reviewed by caseworkers.

| <u>Systems</u> | <u>Percent of cases selected for review that would be in error</u> | | | <u>Average monthly net overpayment per case reviewed</u> |
|-------------------------|--|-----------------|------------------|--|
| | <u>Ineligible</u> | <u>Overpaid</u> | <u>Underpaid</u> | |
| DHR Priority System | 18 | 41 | 14 | \$32 |
| <u>GAO/DHR Systems</u> | | | | |
| Overpayment system | 18 | 45 | 14 | 46 |
| High overpayment system | 21 | 36 | 5 | 76 |
| Ineligible system | 27 | 25 | 8 | 57 |

All GAO/DHR systems produced better results than DHR's priority system for identifying large overpaid amounts, particularly the high overpayment system. If the high overpayment system had been used, the average net overpayment for each case reviewed would have been \$76. In contrast, if DHR's priority system had been used, the average net overpayment would have been \$32.

We also compared the systems to find out which system produced better results if they had been used to identify cases for review during the year ended June 30, 1976. We made the following major assumptions:

- the average monthly caseload would be about 31,800,
- the beginning of the year caseload contained, based on the results of the quality control reviews for the period July-December 1975, 13.4 percent ineligible cases, 24.4 percent overpaid cases and 0.6 percent underpaid cases,
- the effectiveness of the recertification reviews in correcting errors would have been the same as under existing procedures, and
- 20 percent of the caseload would be reviewed.

The estimated results of the comparisons are shown in the following table.

| <u>Systems</u> | <u>Percent of caseload in error at end of year</u> | | | <u>Net savings in welfare cost (millions)</u> |
|-------------------------|--|-----------------|------------------|---|
| | <u>Ineligible</u> | <u>Overpaid</u> | <u>Underpaid</u> | |
| DHR Priority System | 12.2 | 20.7 | 5.1 | \$1.87 |
| <u>GAO/DHR Systems</u> | | | | |
| Overpayment system | 12.2 | 19.8 | 5.2 | 2.70 |
| High overpayment system | 11.3 | 21.8 | 7.2 | 4.31 |
| Ineligible system | 9.9 | 24.4 | 6.5 | 3.28 |
| | <u>Beginning of year</u> | | | |
| | 13.4 | 24.4 | 6.6 | |

DHR's priority system generally was slightly better than the GAO/DHR systems in reducing underpaid and overpaid error cases. The GAO/DHR systems, however, were generally better in reducing ineligible cases. However, in all instances, the GAO/DHR systems were better in reducing welfare costs. The net cost reductions--overpayments less underpayments--ranged from \$830,000 to \$2.4 million more than the amount reduced by DHR's priority system.

The GAO/DHR systems are less effective at identifying underpayments than DHR's priority system. This results in some of the differences among the GAO/DHR systems' and DHR priority system's net cost reduction. The amount of underpayment, as identified by the priority system, was about \$61 per case, as compared to underpayments identified by the GAO/DHR systems which ranged from a high of \$52 for the overpayment system to a low of \$44 for the high overpayment system. However, most of the differences in net cost reductions among the systems are due to the GAO/DHR systems' superiority at identifying highly overpaid cases. The difference in overpayments ranged from \$52 per overpaid case identified by the priority system to \$221 per ineligible case identified by the high overpayment system. We do not intend that underpaid cases be given less attention than overpaid cases.

Any of the three alternate GAO/DHR systems could be implemented with few operational changes and hardly any additional cost to DHR.

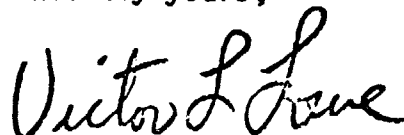
As discussed with you on March 8, 1977, the systems need to be periodically reviewed and updated, if necessary, to ensure that they will continue to identify cases that are most likely to be in error. Also, monthly progress reports are needed on the results produced by the systems and the welfare case reviews. These reports should help managers monitor the operations and improve caseworkers' performance.

On March 17, 1977, we briefed the Acting Director, DHR, and staff. DHR, in consultation with GAO, is developing a plan for implementing the high overpayment system. The system will be implemented on May 1, 1977. DHR will evaluate the system and make changes, if necessary, after it has been in operation for six months.

We appreciate the services of Mr. Garry Kreizman who has been working with us in developing the alternate GAO/DHR systems. His work contributed significantly toward the completion of the job.

Copies of this letter are being sent to interested congressional committees; the Director, Office of Management and Budget; the Council of the District of Columbia; and the District of Columbia Auditor.

Sincerely yours,

A handwritten signature in cursive script that reads "Victor L. Lowe". The signature is written in dark ink and is positioned above the printed name and title.

Victor L. Lowe
Director